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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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1. ICELAND ASKS REVISION OF US DEFENSE AGREEMENTComment on:

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Icelandic foreign minister Gudmundsson on 11 June handed Ambassador Muccio a note asking for a revision of the 1951 defense agreement with the United States.

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The presence of American defense forces in Iceland is a major issue in the 24 June elections. The note cites the Althing resolution of 28 March which called for the withdrawal of American troops, and suggests that discussions between the two governments begin on 1 August in order to "introduce a new system" to replace that adopted under the 1951 agreement. The North Atlantic Council will be advised accordingly.

The delivery of the note at this time is an electoral maneuver forced upon Gudmundsson by his Progressive Party, which has become increasingly sensitive to charges from nationalistic and leftist elements that it had done nothing to implement the March parliamentary resolution. The more moderate elements have charged the Progressive Party with irresponsibility and playing politics with the country's defense.

Under the 1951 agreement either government may, after notifying the other, request the North Atlantic Council to review the continued necessity for the facilities and their utilization, and to make recommendations to the two governments. In accordance with this article, the Icelanders can require evacuation of American troops 18 months after the beginning of negotiations. There is some belief in Iceland that if American troops are withdrawn, Iceland will continue to receive substantial dollar payments for maintaining the installations.

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**2. PHILIPPINE NATIONALISTS WILL SEEK DRASTIC
REVISION OF AMERICAN BASE AGREEMENT**

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Philippine senators Recto and Laurel are attempting to "mastermind" Philippine strategy in the forthcoming negotiations with the United States regarding

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military bases,

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The Recto-Laurel faction, working through Vice President Garcia, is anxious to have the Philippine negotiators demand a drastic revision of the present bases agreement along the lines of the US-Spanish agreement.

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this faction hopes such tactics will force President Magsaysay to side with the United States and that it, rather than Magsaysay, will gain credit for any concessions.

Comment

A group of nine Philippine senators, led by Recto, has already gone on record in favor of revising the base agreement to reduce the leases from 99 to 20 years, give the Philippines exclusive jurisdiction over base areas, prevent removal of any American improvements or equipment, and eliminate inactive bases.

In view of the strong popular resentment in the Philippines of foreign ownership of the bases, it is probable that the Philippine negotiators will feel that they cannot afford to ignore the views of Recto and his supporters.

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3. PEIPING'S STATEMENT ON TALKS WITH US AT GENEVA

Comment on:

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[REDACTED] Reflecting Chinese Communist impatience at the deadlock in the Geneva talks, Peiping's Ministry of Foreign Affairs has made public that it proposed on 11 May that the conferees at Geneva arrange within two months to convene a meeting of foreign ministers. The Chinese Communist announcement contained no implied threat to break off the talks if the deadlock continues. On the contrary, it suggested the two-month period as a means to "prevent the indefinite dragging out" of the talks.

The statement dismissed American proposals thus far as attempts to "freeze the status quo of the Taiwan area." It stressed the necessity of having a meeting between the secretary of state and Premier Chou En-lai.

It is unlikely the Communists actually believe such a meeting would resolve the disputed points at issue. Hoping to enhance its own prestige at the expense of the Chinese Nationalists, Peiping is seeking to demonstrate its own great-power status and to advance its campaign for diplomatic recognition. Earlier this month, Chou observed that "it is ridiculous that two countries should be holding conversations without mutual recognition."

The Foreign Ministry statement made no mention of Chinese Communist intentions with respect to Americans imprisoned in China. [REDACTED]

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4. SHAH EXPRESSES HOPE OF INCREASED US AID BEFORE MOSCOW TRIP

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[REDACTED] The Shah has sent word to the American embassy in Tehran that he hopes for an increase in American aid. [REDACTED]

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[REDACTED] the monarch repeated several times that he "is no Nasr and does not engage in blackmail," but he "confidently expects American aid to help Iran for the next three years."

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Prime Minister Ala has suggested to the embassy that some gesture of American good will and support, not necessarily financial, is highly desirable before the Shah leaves for Moscow on 25 June.

Comment

The Shah is deeply committed to the West and is not inclined toward closer economic or political ties with the Soviet Union. He feels that the Soviet Union will make generous offers which he will be unable to reject without weakening his position with the Iranian public, especially if the USSR gives them wide publicity in Iran.

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**5. SOVIET-AFGHAN ARMS DEAL REPORTED
TO BE IMMINENT**

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Comment on: 25X1A

A Soviet-Afghan arms agreement is now
being negotiated in Moscow, [REDACTED]

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The Afghan arms purchasing mission which left Kabul in March for Prague and Moscow reported that Czech prices were too high and the arms being offered were obsolescent. Most of the mission returned from Moscow last week, but its chief, Major General Abdul Razzak, who had expressed his interest in MIG-15's in Prague, remained in Moscow with the commandant of the Afghan air force.

Although several clandestine shipments of Soviet small arms have apparently reached Afghanistan during the last eight months, the USSR has thus far avoided open and direct arms deals outside the Orbit. [REDACTED] (Concurred in by ORR)

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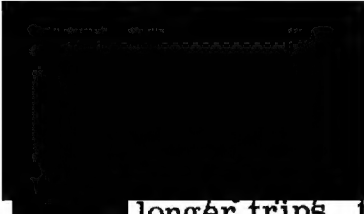
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6. WEST GERMANS PLAN TO RESTRICT SOVIET DIPLOMATIC ACTIVITIES

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An official of the West German government says the Foreign Ministry has prepared a plan for limiting the free movements of Soviet embassy personnel to a radius of 25 miles from Bonn. For

longer trips, the Russians would have to get permission from the German Foreign Ministry. The official believed that under this restriction, Soviet personnel would be prevented from visiting refugee camps.

Comment

The Bonn government intends to subject the Soviet embassy in Bonn to the same restrictions as those to which the German embassy in Moscow is subjected. Limited to a radius of 25 miles, Soviet embassy personnel could no longer conduct an unfettered program of contacting West Germans.

Soviet personnel have approached Ruhr industrialists to press the Bonn government for a trade agreement with Moscow. German officials have also complained of the visits to refugee camps--sometimes clandestine--by Soviet embassy personnel urging Russians to request repatriation.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 12 June)

The American army attaché in Tel Aviv reports that there were signs of a "substantial" demobilization of personnel and motor vehicles in Israel during the past week.

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[REDACTED] Egypt has announced the arrival at Alexandria of the two Soviet Skoryy-class destroyers reported last week as en route from Poland. The two Israeli destroyers purchased from Britain, previously expected to arrive in Israeli waters on 11 June, are now expected to arrive at Gibraltar on 14 June for refueling en route to Israel.

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The Syrian minister of defense told the press that a Syrian military mission will shortly go to Amman to take up its duties in the permanent joint Syrian-Jordanian operations council.

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A Syrian Foreign Ministry official told Ambassador Moose that he expects Soviet foreign minister Shepilov to make a dramatic pro-Arab gesture during his trip to the Middle East. He mentioned that the USSR might shortly propose that negotiations for a settlement of the Palestine problem be based on the 1947 United Nations resolutions which provided for separate Jewish and Arab states with borders as established before the outbreak of war as well as the internationalization of Jerusalem.

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